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SIPDIS

SENSITIVE

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SUBJECT: SOUTH AFRICA: FINANCIAL INTELLIGENCE CENTRE UPDATE

REF: 2004 PRETORIA 04865

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Internet distribution.

1. (U) Summary. South Africa's Financial Intelligence Centre (FIC) continues to evolve as an institution. The FIC seeks better cooperation with law enforcement, higher quality suspicious transaction reports (STRs), continued focus on training, and international status as a Financial Intelligence Unit (FIU). As part of its international efforts, South Africa plans to host the February 2006 Financial Action Task Force (FATF) Plenary session in Cape Town and plans to sign a Memorandum of Understanding (MOU) with the U.S. Financial Crimes Enforcement Network (FinCEN) in June/July 2005. End Summary.

FIC Progress Updates Received

2. (U) South Africa's Financial Intelligence Centre (FIC) Senior Manager of Monitoring and Analysis, Ursula M'Crystal, led a January 24th session at the United States Secret Service Financial Crimes workshop (financed by International Narcotics and Law Enforcement Affairs). The Pretoria-based workshop addressed 70 law enforcement members, including the South African Police Service (SAPS) and the Scorpions, a special investigative unit that operates independent of SAPS. During this workshop and in recent conversations with Econoff, M'Crystal provided updates on the FIC's progress since its first full-year review (reftel).

Feedback Needed From Law Enforcement

3. (U) M'Crystal stated at the workshop that the FIC should be considered a "tool for law enforcement." Feedback from law enforcement was needed in order to better track the progress of cases (i.e., number of successful prosecutions). Typical money laundering cases require about two years of investigation and two years for prosecution. M'Crystal said that the FIC tries to avoid duplicating resources between SAPS and Scorpions during investigations.

4. (U) M'Crystal emphasized that the FIC does not have investigative powers and will not make files public. She said that law enforcement can request information from the FIC, but the FIC or an STR reporter cannot be compelled to testify in court. However, M'Crystal later said that the FIC may have to testify later this year.

Focus On STR Quality and Training Continues

5. (U) Currently, 95% of suspicious transactions reports (STRs) are received electronically. The FIC continues to try to improve the quality of the STRs it receives. In order to improve quality, banking officials, law enforcement, and others who submit STRs should be better trained on what constitutes an STR. M'Crystal stated that STRs should be supported by appropriate evidence or pattern, and not based solely on a hunch or a person's dress. She also said that many STRs are often related, noting that one case involved 100 STRs. All reporting institutions must report an STR within 15 days. If it does not do so, penalties include 15 years in prison or a R 10 million fine (\$1.7 million). To date, these penalties have not been used.

6. (U) Each financial institution has an Authorized Officer who can submit and request information to/from the FIC. This officer is appointed by the institution and must be accredited by training. The FIC will train and retrain these officers as necessary. In regards to FIC staff, the FIC has trained 71 financial investigators and has approached the University of South Africa (UNISA) to start an accredited program for financial investigators.

Institution Building Continues As Well

7. (U) As part of its internal growth progress, the FIC

foresees the appointment of a Deputy Director later in 2005. By June 2005, the FIC plans to open a regional office in Cape Town. The FIC continues to be a member of the Money Laundering Advisory Council along with law enforcement, the Banking Council, and insurance industry representatives. This Council advises the South African government on money laundering issues.

18. (SBU) On the international front, South Africa plans to host the Financial Action Task Force (FATF) Plenary session next February in Cape Town. The FIC is in the process of signing Memorandums of Understanding (MOUs) with law enforcement (e.g., SAPS) and international organizations (e.g., Interpol). The U.S. Financial Crimes Enforcement Network (FinCEN) and the FIC plan to sign an MOU in late June/July during the Egmont Group meetings in Washington. The MOU will cover a general sharing of knowledge between the two FIUs.

Comment

19. (SBU) The FIC continues to make positive strides in its development as a Financial Intelligence Unit. Training and the quality of STRs remain a focus area as well as meeting international standards. The FIC is Africa's leader in combating financial crimes and is striving to be an international player through its participation in worldwide meetings and MOUs. Post will continue to monitor the FIC as it strives towards its ambitious goals.
FRAZER